

## ADMINISTRATOR/CLERK'S REPORT FY 2021 - 2022 BUDGET

The city's 100% valuation has decreased \$251,178. Regular taxable value is up from \$26,900,437 to \$27,240,849 (an increase of \$340,412), which will give us a little more money in the General Fund.

As a reminder, during the 2013 legislative session several major changes were made to the property tax rollback system. Commercial, industrial and railroad property now have their own rollback, which will be 95% for valuations established during the 2013 assessment year (affecting FY2015) and 90% for the 2014 assessment year and thereafter. The rollback percentage for these properties will remain fixed at 90% regardless of how fast or slow valuations grow. The legislature created a standing appropriation, beginning in FY2015, to reimburse local governments for the property tax reductions resulting from this new commercial rollback. The backfill was funded 100% for FY15–FY18. Future backfill will be capped at the FY17 level. A new property class was established for multi-residential property, which first took effect in FY17 and will likely have a long-term impact. The definition of multi-residential property is broad and includes: Mobile home parks, manufactured home communities, land-leased communities, assisted living facilities, property primarily used or intended for human habitation containing three or more separate living quarters (excluded properties include, hotels & motels). Multi-residential properties are subject to a separate rollback schedule before reaching the residential rollback percentage and there is no backfill funding to offset revenue reductions for the multi-residential property rollback. The multi-residential rollback drops each year (see chart below) which will give us a little less in the General Fund each year.

### Property Tax System Basics

#### Multi-Residential Rollback Schedule



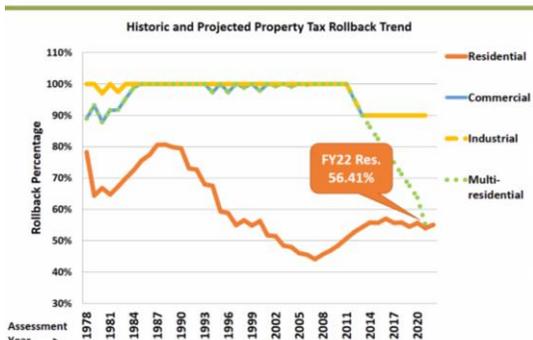
#### Backfill History:

Fiscal Year	Amount Received/Estimated
2018	\$9,551 - General Fund \$5,477 [reducing general fund insurance levy] - Special Revenue \$4,074 [reducing Special Revenue Benefits levy or employee benefits, FICA & IPERS]
2019	\$9,148 - General Fund \$5,713 - Special Revenue \$3,435
2020	\$8,573 - General Fund \$5,580 (estimating) - Special Revenue \$2,993 (estimating)
2021	\$8,430 - General Fund \$5,286 [I used a proration of 75%, meaning we are budgeting - Special Revenue \$3,144 to receive 75% of the backfill for FY21]

The last couple years we came very close to the backfill being taken away. If that occurs, the city will have to make up the difference for the \$8,388 that we are estimating on receiving.

The rollback on residential property is going up from 55.0743% to 56.4094%, so that will increase the amount we receive in the General Fund. Township valuations are up slightly, so we will receive \$457.11 more for the Ambulance & Fire Departments. We only have one township left that needs to pay their final payments for the fire tanker this Fiscal Year.

### Rollback – Historical and Projected



### Property Tax Examples

#### Residential Property

Assessed Value	Rollback	Taxable Value/Calculation	Tax Obligation (city only)
\$100,000	56.4094%	(\$56,409/ \$1,000) x \$8.10	\$456.92

#### Commercial/Industrial Property

Assessed Value	Rollback	Taxable Value/Calculation	Tax Obligation (city only)
\$100,000	90%	(\$90,000/ \$1,000) x \$8.10	\$729

### GENERAL OBLIGATION BONDING CAPACITY JANUARY 1, 2020

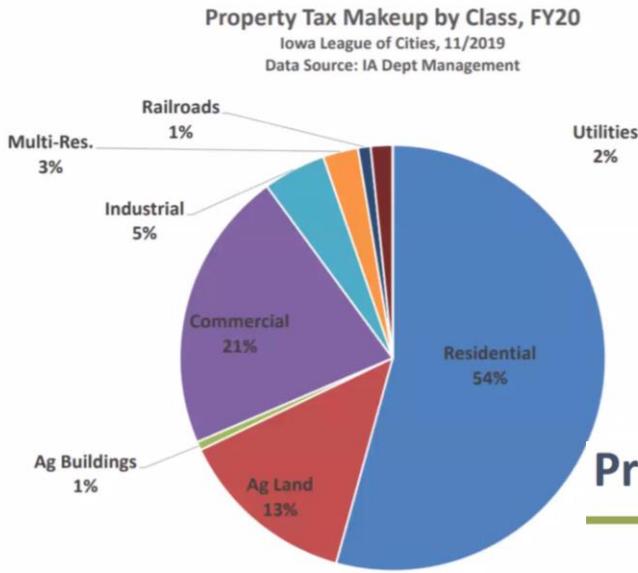
01-01-2020 100% Valuation (Actual Value for Debt Limit Calculation):	\$47,531,642
5% of Actual Value for Debt Limit Calculation:	<u>2,376,582</u>
Legal Debt Limit for Fiscal Year 2021/2022:	2,376,582
*Outstanding GO Bonds/Notes/Debt Applicable to Debt Limit June 30, 2020:	<u>- 1,789,956*</u>
(see below for break-down)	
	586,626
25% of \$586,626 for Emergency:	<u>- 146,657</u>
<b>G.O. Bonding Capacity to Use:</b>	<b>\$439,969</b>

#### \*Outstanding GO Bonds/Notes/Debt June 30, 2020 Breakdown:

TIF #3 - Decker (Ideal Industries)	\$ 5,539
TIF #4 - Hodapp Dev.	213,669
TIF #5 - Colonial Manors Memory	56,000
SRF-2015 Sewer Loan	969,000
SRF-2018 Sewer Repair/Lining Loan	477,265
SRF-2019 Sewer Extra Repair/Lining Loan	38,220
2020 Police Tahoe Lease	30,263
Balance	\$1,789,956*

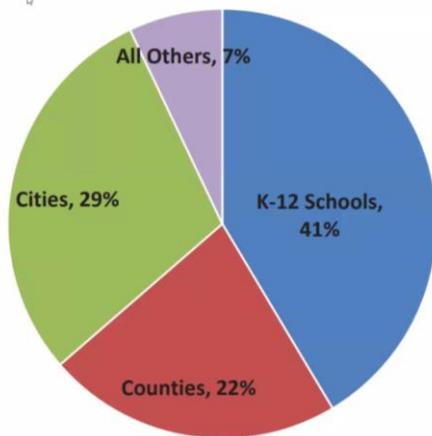
Here are additional informational graphs (not specifically for Fayette, but averages for all cities in Iowa):

## Property Tax System Basics

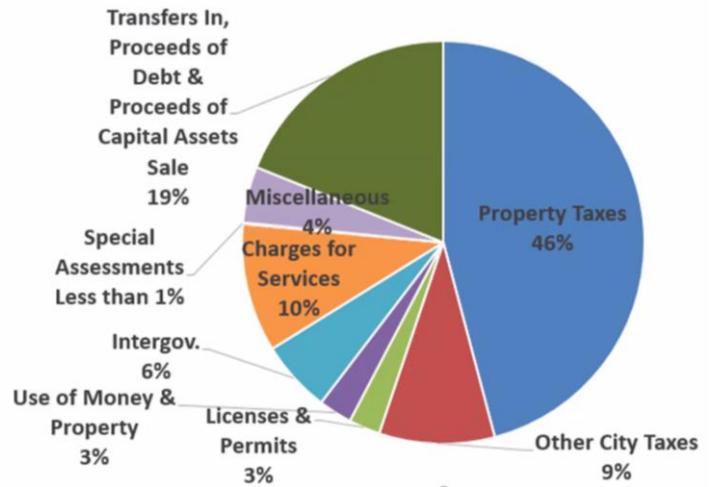


## Property Tax System Basics

### Property Tax Revenue by Class

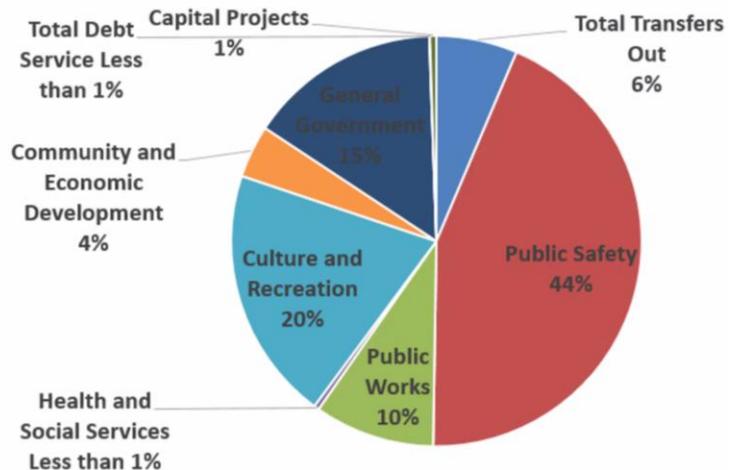


### City General Fund Revenues by Category FY20 (Budgeted) All Cities



## Expenditures

### City General Fund Expenditures by Category FY20 (Budgeted) All Cities



**FY2022 Budget at a Glance**  
**(LEVIES PER \$1,000 VALUATION LIMIT)**

**GENERAL FUND LEVIES:**

Regular General Fund: We will levy at the maximum \$8.10.

Liability, Property & Self Insurance: We will levy separately for general fund insurance. For FY22 it will be \$0.59620.

Emergency Management Support: We will levy separately for Emergency Mgmt support. For FY22 it will be \$0.15719.

Ag Land: We will levy at the maximum \$3.00375 for ag land.

**SPECIAL REVENUE LEVIES:**

FICA & IPERS: Since we levy at the maximum limit for the Regular General Fund (\$8.10), we can levy for all the FICA and IPERS we pay for employees paid out of the General Fund (the portion of the salaries that are paid out of Water & Sewer we cannot levy for). We have done this in the past and for FY22 it will be \$1.90258.

Other Employee Benefits: We can levy for other employee benefits (Work Comp. and Health Insurance) for employees paid out of the General Fund (same as the FICA & IPERS Levy). We have done this in the past and for FY22 it will be \$2.29985. This is \$0.96987 less than the current FY21 because of the change in health insurance.

**DEBT SERVICE LEVY:**

The city took out a \$500,000 General Obligation Note in February of 2021 to help cover the cost of the W. Water Street reconstruction project of 2021. It was a great time to take out a loan because we received an incredibly low interest rate. To help make our payment on the loan, the city may levy under the Debt Service Levy. The city may also use current reserves or expected revenue to help cover the costs of the loan. The more reserves or revenue the city uses for the loan payment, the less they levy under the Debt Service Levy. For FY22 the city will use \$8,500 of Road Use Tax funds, \$1,500 of Water revenue funds and \$750 of Sewer revenue funds for a total of \$10,750 to use towards the FY22 loan payment. That will make the total debt service levy \$0.89683.

**TOTAL LEVIES: \$13.95265 [Current FY21: \$13.90998, an increase of \$0.04267]**

**CITY EMPLOYEE SUMMARY:**

Consensus of the Personnel and Finance Committees are to continue to use the Employee Wage Scale for all the full-time employees, except for Public Works Director Jerry Hildebrand who's wage is not on the scale. Employees receiving their normal step or years-of-service increase include: Annette Butikofer (\$33,933.01), Josh Barker (\$43,890.18), Nicole Ball (\$39,940.45) and Adam Hildebrand (\$54,722.63). Employees receiving their step and scheduled for a scale increase after they complete necessary certifications include: Kris McGrane (\$57,175.46), Olivia Hake (\$38,563.19) and Jacob Palmer (\$43,890.18). Ben Davis (\$54,576.80) was granted his request for a wage scale increase due to handling the majority of the callouts, handling quite a few personnel changes within the police department and continuing to improve the department. The Finance Committee approved giving all three part-time employees an 8% raise: Michelle Whitlock (\$12.10/hour), Alyssa Dean (\$9.83/hour) and Nancy Creery (\$12.96/hour). A seasonal, part-time employee was once again budgeted for the Recreation Board to help with summer activities and events.

The Finance Committee approved a cost of living increase of 1% for all full-time employees, including Jerry Hildebrand. The U.S. Consumer Price Index increased 1.3-1.4% from Sept. 2019 to Sept. 2020. The U.S. Employment Cost Index increased 2.6-2.7% from June 2019 to June 2020. Social Security & Supplemental Security Income benefits will increase 1.3% in 2021.

NOTE: Part of the City Administrator/Clerk's and Deputy Clerk's wages (68%) come out of the water & sewer funds because of the significant amount of time that is spent on administration of these utilities. This relieves some of the cost from the General Fund. This is common practice and most cities do this.

Health insurance premiums were increasing 33.58%. Due to the significant increase this year and the 20.06% increase last year, the City Council decided to change from the Wellmark Alliance Select health insurance plan that the city was grandfathered in on to the Wellmark myBlue HDHP Bronze plan. This new plan is considered a partial self-fund plan (PSF) and carries a high deductible that the city will fund down for the employee's deductible and out-of-pocket maximum. This will decrease the health insurance premiums by 28.86% and the city will contribute \$1,000 into a health savings account (HSA) for employees receiving single health insurance and \$2,000 into a health savings account (HSA) for employees receiving family health insurance. The health insurance changes begin on 3/1/2021. Employees who receive family insurance pay 25% of the premium.

IPERS employer rates for regular members will remain the same at 9.44% and will decrease from 9.61% to 9.31% for protection occupation members.

### **Public Safety: Fire, Ambulance & Police:**

**Fire:** Recommended expenses: \$36,076; Estimated income: \$15,350 (Difference of -\$20,726). Township levy is at its maximum asking of 40.5 cents per \$1,000 valuation which will bring in \$21,491.80. This amount is split as follows: Fayette Fire Dept. (67% \$14,399.51) & the Ambulance Dept. (33% \$7,092.29). We also get \$800 from the City of Randalia per year for fire protection (\$200 per quarter). We had charged the townships and Randalia an additional 20.25 cents on their levies to help pay off the costs of the 2012 tanker that we paid off in December 2017. Randalia will pay off their portion in FY21. Center and Westfield townships have completed paying off their portions and as of this date, Smithfield township only owes \$1,500. This money will go back into the Fire Department.

**Ambulance:** Recommended expenses: \$117,393; Estimated income: \$117,393 (Difference of \$0). We usually balance their budget because they usually bring in more revenue than expenses, unless they decide to purchase an expensive piece of equipment. This is the sixth year that the Service is budgeting \$21,000 to set back for future vehicle replacement. The service has purchased a new ambulance in early 2021 but will continue to save for future vehicle replacement. Any extra revenue transfers to their savings for the service to save for a future vehicle replacement or large expense.

**Police:** Recommended expenses: \$349,177; Estimated income: \$135,372 (Difference of -\$213,805). We will be in the 5<sup>th</sup> year of a contract with UIU to provide law enforcement services. Upper Iowa University is expected to pay the City of Fayette approximately \$105,537 in FY22 for law enforcement services, a 2% increase from the current year. The portion from the Local Option Sales Tax allocation for streets and police will be divided with 25% (estimated at \$17,675) to Police revenue and 75% (estimated at \$53,025) to streets (which is not included in above estimated income due to budgeting purposes – if it was, the difference would be -\$196,130). The 3 year contract with the Fayette County Sheriff's Office for Dispatching Services expired June of 2020, however the city budgeted \$3,990.75 (75% of FY21's total payment of \$5,321, the other 25% comes out of the ambulance budget) in the chance the contract is renewed. We are budgeting \$675 (1/2 of the costs) to repaint the exterior bricks on the police and ambulance departments. The budget includes purchasing new radar units and portable radios (\$3,442), stop stick kits for all the police vehicles (\$1,828), 3 shotguns, 1 rifle, upgrades to pistol holsters and lights (\$4,154) and \$9,424 will come out of the police departments savings account.

### **Public Works: Streets, Landfill/Recycling/Yard Waste:**

**Streets:** Recommended expenses from the RUT (Road Use Tax) is \$190,155; Estimated income: \$155,000 (Difference -\$35,155). In FY21 the RUT funds were estimated at \$127 per capita (1,338), so estimated to receive \$169,926, however with COVID-19, it is expected to be lower. We budgeted a low (\$155,000) to be on the safe side. The budget includes \$50,000 for overlay on some roads and \$4,700 for a power washer. The budget also includes \$5,000 for a part-time employee.

Recommended expenses from the General Fund: \$61,420; Estimated income: \$3,000 (Difference -\$58,420). Total Streets expenses: \$251,575; total estimated Streets income: \$158,000 (Difference -\$93,575). Estimating \$53,025 [75% of the 70% split between Police and Streets] in Local Option Sales Tax revenue (which is not included in above estimated income due to budgeting purposes – if it was, the difference would be -\$40,550). The budget out of the General Fund includes \$8,000 for 1/3 the cost of a new pickup truck for the public works department. It also includes more expenses to assist with uniforms, trainings, utilities, vehicle maintenance, building maintenance and street maintenance.

**Landfill/Recycling:** Landfill expenses: \$45,000; Estimated income \$45,000 (Difference of \$0); Recycling expense \$16,455; Estimated income \$16,455 (Difference of \$0).

**Yard Waste:** Recommended expenses \$9,650; Estimated income \$10,500 (Difference of \$850). The leaf pick-up remains to be a very popular service. The Public Works Department employees spend many hours picking up leaves and hauling them. We will continue to transfer \$5,000 from the Yard Waste fund to the Streets to save for a new Street Sweeper.

## **Culture and Recreation: Library, Park, Recreation, Cemetery:**

**Library:** Recommended expenses \$119,401; Estimated income \$28,658 (Difference -\$90,743). The budget includes a new furnace (\$12,500) and using \$10,000 of savings to help cover the furnace expenses.

**Park:** Recommended expenses \$10,250; Estimated income \$12,000 (Difference of \$1,750). In FY21 we raised the camping rates from \$10/night to \$12/night at the campground to help generate a little more revenue to cover all expenses, such as an increase in electricity. No major expenses are budgeted.

**Recreation Board:** Recommended expenses \$73,770; Estimated income \$26,000 (Difference -\$47,770). The portion from the Local Option Sales Tax allocation for Rec is 30% (estimated at \$30,300), which is not included in above estimated income due to budgeting purposes – if it was, the difference would be -\$17,470. The Rec Board once again budgeted to hire a part-time, seasonal employee. We are budgeting to pay the 3<sup>rd</sup> payment of \$10,000 to the UIU Recreation Center for 3 consecutive years (\$30,000 total) to assist with replacing the UIU Rec Center floor and other maintenance costs [in return, city of Fayette residents receive a 75% discount on Rec Center memberships]. We are budgeting to add two additional trail expansions at Cardinal Park to make some loops (rough estimate is \$22,000 for one and \$24,000 for another one) and using \$25,000 of their savings to offset some of the costs.

**Cemetery:** Recommended expenses \$7,500. Same as last year.

## **Community and Economic Development: TIF, Bolger, 9 S. Main St., CDBG Rehab & RLF:**

**TIF:** Estimated expenses \$57,000; Estimated income \$57,000. The TIF Rebate for FY22 to Cory & Melissa Hodapp for the condominium agreement we signed with them in 2013 will be \$29,000. About \$16,922 will be paid to Cory & Melissa Hodapp and the remainder will be transferred to the TIF LMI fund. This is the 5<sup>th</sup> and final FY we pay on the \$28,000 TIF Rebate to Colonial Manors of Fayette, Inc. (Memory Unit) that we signed with them in FY15. We file a TIF Debt Certificate by December 1st each year to the Fayette County Auditor letting her know the amount of funds that are required for the following fiscal year to pay off our TIF debt. As long as we keep TIF debt, the city may continue to use our existing Urban Renewal Plan. The city may do TIF rebates instead of financing up front. The majority of cities do rebates rather than using city funds up front. In FY13 we included the downtown business district in our TIF so we are able to offer TIF incentives for new construction in downtown.

**Bolger:** Estimated expenses \$70,250; Estimated income \$15,000. (Difference of -\$55,250) Expenses would include money for the Community Revitalization/Demo Program, sidewalk incentives and new construction incentives. A donation of \$1,200 to the Fayette County Fair and \$5,000 for new holiday bows for the streetlights are budgeted. Budget \$2,500 for Main Street Flowers, however, only \$1,000 of that will be money from the Bolger Fund. The remaining \$1,500 is only to pay back reimbursements from donations the city receives for the Main Street Flowers. The Community Garden requested a \$500 donation that was budgeted. Budgeted \$5,200 for Watermelon Day fireworks and porta-potties, which is double since Watermelon Days was cancelled in 2020 and the Watermelon Days committee requested two years of donations. The old Tourism home at 606 W. Water St. now belongs to the city so we budgeted for utilities and \$20,000 to either remodel or demo the home.

**9 S. Main St:** Estimated expenses \$3,150; Estimated income \$1,500 (Difference of -\$1,650). In FY19 we separated this from the Bolger Fund, so we can better track revenue and expenses. In FY21 we remodeled the office space by replacing the flooring, removing the wallpaper and painting the entire interior. Expenses would include insurance, utilities (if it remains empty), property taxes and any other costs. The goal of this space is to get a new small business started and eventually move to another empty commercial building in town.

**CDBG LMI Housing Rehab Grant:** Estimated expenses \$188,124; Estimated income \$188,124 (Difference of \$0). This should balance because we are reimbursed through a grant. In FY19 we were awarded this grant. We should be finishing this grant in FY22. The grant pays for 100% of this project to rehab homes owned by low-to-moderate income residents.

**Revolving Loan Fund (RLF):** Estimated expenses \$100,000; Estimated income \$100,850. In FY19 we were awarded a grant that pays approximately 49% of any RLF that we award to small businesses (that meet necessary requirements). We received an extension on the grant through FY21 due to COVID-19. We still have the fund to loan out money which will be paid back.

**General Government: Council & Mayor, Administrator/Clerk's Office, Legal, Election:**

**Council & Mayor:** Recommended expenses \$16,360 for wages, trainings/meetings and insurance. Budgeted \$5,000 for a facilitator, engineer and financial advisor to assist the city with a Capital Projects Plan.

**Legal:** Recommended expenses \$5,000.

**Election:** Recommended expenses \$1,500 budgeted. There will be a city election in FY22.

**Administrator/Clerk's Office (P&A):** Recommended expenses \$78,260. Recommending giving \$600 to Helping Services of Northeast Iowa and \$550 to Northeast Iowa Community Action as we did the past 3 years. Recommending giving \$250 to the Turkey River Watershed Management Authority Board, which was a new expense in FY20 and \$2,000 for the Fayette County Economic Development and Tourism. Budgeted \$1,100 for a new printer/copier/scanner to replace the utility billing printer and \$750 to update the bathroom at City Hall.

**Business Type Activities (Enterprises): Sewer and Water Utilities:**

**Sewer (Wastewater Treatment):** Recommended expenses \$259,475; Estimated income \$287,000 (Difference \$27,525). Expenses include paying on the loan to the State Revolving Loan Fund (SRF) for the Sewer lagoon project and the spot repairs/sewer lining. We are budgeting \$8,000 for 1/3 the cost of a new pickup truck and \$11,000 for a new heater. We are budgeting to transfer \$75,000 out of the sewer fund to pay for the sewer portion of the Water Street reconstruction project and \$5000 to Debt Service Levy, but will only plan to pay \$750.

**Water Utility:** Recommended expenses \$246,500; Estimated income \$236,960 (Difference -\$9,540) Budgeted \$3,000 for repairs to the roof on Well #2 and \$8,000 for 1/3 the cost of a pickup truck. Budgeted \$40,000 to paint the outside of the water tower, however, we may not do this until we can find out what is causing the stains. There are always the unexpected water main breaks that we budget a little extra for. We are also budgeting to transfer \$150,000 out of the water fund to pay for the water portion of the Water Street project and \$6000 to the Debt Service Levy, but will only plan to pay \$1,500.

**Water/Sewer Capital/Administration:** Estimated income \$50,000. This is a new 2%/month usage fee on all active utility bills that we started when we went to monthly billing in March 2019. It started as a \$10 flat fee but was later changed to 2% of the water usage used.

**Storm Water Utility:** Recommended expenses \$2,500; Estimated income: \$6,800 (Difference of \$4,300). Started this utility in FY16 to help address drainage issues and to help cover the expenses of installing storm sewers in town so more curb and gutters can eventually be installed. We charge \$1.00 per month on all city utility bills. We are only budgeting to spend if there are any minor repairs.

**Capital Projects: Replace Radio Tower South of Town and Water Street**

**Radio Tower:** Recommended expenses \$15,000. Budgeted \$15,000 to replace the tower south of town. The Fayette County E911 Board in the past indicated they may be interested in splitting the cost, depending on the research they receive back from where the new radio towers would need to be placed. Unknown how much it would cost, but this is a start. We budgeted for this in FY19, 20 & 21 but we are waiting to find out if it will be needed or not, depending on the route the Fayette County E911 Board takes on the future of the radio system in Fayette County. We are transferring this money from the General Fund, so if we do not need this money for a new tower, we may use it for another project.

**Water Street Project:** Recommended expenses \$1,105,000. Budgeted to transfer \$380,000 out of the Street: Road Use Tax fund, \$150,000 out of the Water fund and \$75,000 out of the Sewer fund. We will update Water Street from HWY 150 to S. Main Street, upgrade the Water lines from 4 inch to 6 inch lines, add some sewer lines to places there are not any and upgrade the storm water lines to make them larger. We have budgeted for about \$200,000 more incase the price comes in higher. We have taken out a \$500,000 General Obligation Note to help pay for this project.

**Summary:**

Total FY 2022 Estimated Budget Revenues \$3,233,301

Total FY 2022 Estimated Budget Expenditures \$4,304,040

Difference -\$1,070,739

The city is budgeting to spend money it has been saving for multiple years to complete some projects and purchases. We are estimating around \$900,000 for the Water Street project and using money that has been saved in the Street: Road Use Tax fund, Water fund and Sewer fund. It is great to save money, but eventually you need to choose projects and purchases to spend the money to keep improving the City of Fayette. We also budgeted \$26,000 out of the Bolger fund for incentives (economic development, new construction, sidewalks, demolitions, etc.) that we may not spend and \$20,000 to remodel/demo 606 W. Water Street.

Other purchases include a needed heater for the wastewater department, a new furnace for the library, a new pickup truck for the public works department, expanding the trail(s) at Cardinal Park, new radars and equipment for the police department, repairing the roof at well #2, putting on an overlay on more streets in Fayette than we usually do and more.

**FINAL THOUGHTS:**

The Annual Budget Estimate is just that. The Iowa League of Cities and the Office of Management & Finance stress that it is *just an estimate* because no City knows what can happen during a fiscal year, and that is why most cities end up doing budget amendments. Just because we budget for all the expenditures, doesn't mean we have to spend the money. We should all be proud of Fayette. The City has saved money for years and now we have a game plan on how to spend some on improving Fayette.

**The total tax asking will be \$13.95265 for FY 2022. The levy will be up \$0.04267 cents.**

History of tax levies for Fayette:

FY2021 \$13.90998, FY2020 \$13.73404, FY2019 \$14.28785, FY2018 \$15.13614,  
FY2017 \$14.43223, FY 2016 \$14.38162, FY 2015 \$14.59214

Kris McGrane  
City Administrator/Clerk  
February 15, 2021